

## Message Text

CONFIDENTIAL

PAGE 01 MADRID 02027 01 OF 02 242132Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 OPIC-03  
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
PA-01 PRS-00 L-03 H-01 USIE-00 NSCE-00 INRE-00  
SSO-00 DOE-11 DOEE-00 SOE-02 /117 W  
-----026104 242158Z /63

O 242111Z FEB 78

FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 3584

INFO AMEMBASSY BRUSSELS

AMEMBASSY LISBON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 02027

OECD AND EMBASSY

USEEC AND EMBASSY

E.O.11652:GDS

TAGS: PINT, ECON, SP

SUBJ: MAJOR CABINET SHUFFLE EXPECTED

1. SUMMARY: VICE PRESIDENT FOR ECONOMY FUENTES QUINTANA DEFINITELY AND THREE OR FOUR OTHER MINISTERS PROBABLY WILL LEAVE THE CABINET IN A MAJOR RESHUFFLING OF THE ECONOMIC TEAM. OFFICIAL ANNOUNCEMENT THAT THE MINISTERS OF INDUSTRY, TRANSPORT AND COMMUNICATIONS, AGRICULTURE, AND LABOR WILL BE REPLACED AND THAT FUENTES QUINTANA'S RESIGNATION WILL BE ACCEPTED IS EXPECTED BY FEB. 27. RESHUFFLE APPEARS TO RESULT PARTLY FROM FUENTES QUINTANA'S LONG-STANDING BASIC DISTASTE FOR HIS JOB, PARTLY FROM PERSONAL AND BUREAUCRATIC CONFLICTS BETWEEN FUENTES QUINTANA AND OTHER MINISTERS, PARTLY FROM DISSATISFACTION WITH THE PERFORMANCE OF SOME OF THE MINISTERS, AND ALSO  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MADRID 02027 01 OF 02 242132Z

FROM DIFFERENCES REGARDING THE GOVERNMENT'S POLICY ON ENERGY AND RATIONALIZATION OF THE STEEL INDUSTRY. TO WHAT EXTENT DIFFERENCES OVER DEGREE OF AUSTERITY ENTER IN IS NOT YET CLEAR. FINANCE MINISTER FERNANDEZ ORDONEZ AND COMMERCE AND TOURISM MINISTER GARCIA DIEZ WILL REMAIN. FERNANDEZ ORDONEZ WILL PRESUMABLY BECOME THE LEADING ECONOMIC MINISTER, BUT WITHOUT THE VICE PRESIDENTIAL TITLE.

THIS, TOGETHER WITH THE MONCLOA PACT, TO WHICH ALL POLITICAL PARTIES HAVE AGREED, SHOULD PROVIDE CONTINUITY OF THE BASIC THRUST OF ECONOMIC POLICY.  
END SUMMARY.

2. FINANCE MINISTER FERNANDEZ ORDONEZ, WHO HAD A LONG MEETING FEB.23 WITH PRIME MINISTER SUAREZ ON THE SUBJECT, INFORMED THE AMBASSADOR ON THE MORNING OF FEB.24 THAT SUAREZ HAD DECIDED TO ACCEPT VICE PRESIDENT FOR ECONOMIC AFFAIRS FUENTES QUINTANA'S RESIGNATION SUBMITTED EARLIER THIS WEEK. THREE OR FOUR OTHER MINISTERS, WITH WHOM FUENTES QUINTANA AND HIS MINISTRY OF ECONOMY HAVE BEEN IN CONFLICT, WILL ALSO BE REPLACED. CHANGES BECAME NECESSARY, FERNANDEZ ORDONEZ SAID, BECAUSE GOVERNMENT ACTION WAS BEING PARALYZED AS A RESULT OF GROWING DIFFERENCES BETWEEN FUENTES QUINTANA AND SOME OTHER MINISTERS. FERNANDEZ ORDONEZ SAID THAT HE HIMSELF, WOULD BE OBVIOUS CHOICE TO REPLACE FUENTES QUINTANA AS VICE PRESIDENT FOR ECONOMY BUT THAT THIS WOULD UPSET BUSINESS ESTABLISHMENT WHICH (QUITE ERRONEOUSLY, HE SAID) CONSIDERS HIM TO BE TOO FAR TO THE LEFT. INSTEAD, HE BELIEVES ECONOMIC VICE PRESIDENCY WILL BE ABOLISHED. HE, HOWEVER, PRESUMABLY WOULD BE DE FACTO THE LEAD ECONOMIC MINISTER, AND WOULD PRESIDE OVER THE INTER-MINISTERIAL COMMITTEE ON ECONOMIC MATTERS WHENEVER SUAREZ HIMSELF DID NOT. A CABINET RESHUFFLE, HE SAID, WILL BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MADRID 02027 01 OF 02 242132Z

ANNOUNCED TODAY OR BY MONDAY AT THE LATEST.

3. WHILE IT IS NOT YET OFFICIAL WHICH MINISTERS ARE BEING REPLACED, IN ADDITION TO FUENTES QUINTANA, BASED ON FURTHER CONVERSATIONS AND AFTERNOON PRESS REPORTS FEB.24, IT SEEMS MOST LIKELY THAT THE MINISTERS OF INDUSTRY AND ENERGY, TRANSPORTATION AND COMMUNICATIONS, AGRICULTURE AND POSSIBLY LABOR WILL GO. FRONT RUNNERS AS NEW INCUMBENTS FOR THESE MINISTRIES ARE: INDUSTRY AND ENERGY - SMALL AND MEDIUM BUSINESS ORGANIZATION LEADER AGUSTIN RODRIGUEZ SAHAGUN, WHO IS ALSO PERSONAL FRIEND OF SUAREZ; TRANSPORTATION AND COMMUNICATIONS - UCD EXECUTIVE COMMITTEE MEMBER SALVADOR SANCHEZ TERAN; AGRICULTURE - ABRIL MARTORELL'S DEPUTY JAIME LAMO DE ESPINOSA; AND LABOR - UCD SENATE LEADER RAFAEL CALVO ORTEGA, WHO IS ALSO REPORTEDLY CLOSE TO SUAREZ.

4. OVER

THE PAST FEW WEEKS, RUMORS AND PRESS SPECULATION HAVE INTENSIFIED ABOUT A POSSIBLE CABINET RESHUFFLE, BUT GOVERNMENT SOURCES TENDED TO MINIMIZE SERIOUSNESS OF DIFFERENCES AMONG MINISTERS. CAUSES OF FRICTION, PARTICULARLY BETWEEN FUENTES QUINTANA AND INDUSTRY AND

ENERGY MINISTER OLIART, HAVE BEEN ASCRIPED TO JURISDICTION-  
AL DISPUTES OF MINISTRIES AND TO DIFFERENCES OVER  
DESIRABLE DEGREE OF GOVERNMENT INTERVENTION IN RATIONALI-  
ZATION OF ENERGY AND STEEL INDUSTRIES. THERE HAVE ALSO  
BEEN REPORTS OVER DISUNITY WITHIN THE GOVERNMENT OVER THE  
SEVERITY OF THE GOVERNMENT'S MONETARY CONTRACTION  
MEASURES WITH SOME, ESPECIALLY PRESIDENTIAL ADVISER  
JOSE RAMON LASUEN PUBLICLY CRITICIZING GOVERNMENT  
ECONOMIC POLICIES AND ADVISING EASING OF THE CREDIT  
SQUEEZE. HOW MUCH WEIGHT SHOULD BE GIVEN TO THE PART  
PLAYED BY LASUEN'S CRITICISM IS NOT YET CLEAR.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 MADRID 02027 02 OF 02 242138Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 OPIC-03  
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
PA-01 PRS-00 L-03 H-01 USIE-00 NSCE-00 INRE-00  
SSO-00 DOE-11 DOEE-00 SOE-02 /117 W  
-----026271 242155Z /63

O 242111Z FEB 78  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC IMMEDIATE 3585  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY LISBON  
AMEMBASSY PARIS

CONFIDENTIAL SECTION 02 OF 02 MADRID 02027

OECD AND EMBASSY

USEEC AND EMBASSY

5. UNTIL MORE INFORMATION IS AVAILABLE, IT IS TOO EARLY  
TO ASSESS WITH ANY CERTAINTY THE FULL REASONS FOR THE  
RESHUFFLE AND HOW IT WILL AFFECT GOVERNMENT POLICY.  
AT THIS POINT, THE REASONS FOR THE CHANGE APPEAR TO BE  
A MIXTURE OF PERSONALITY FACTORS, BUREAUCRATIC INFIGHTING,  
AS WELL AS REAL DIFFERENCES OVER ECONOMIC POLICY.  
DIRECTOR GENERAL FOR PLANNING IN THE MINISTRY OF ECONOMY  
JULIO ALCAIDE, WHO IS CLOSE TO FUENTES QUINTANA, TOLD  
AND EMBASSY OFFICER THAT THE VICE PRESIDENT IS TIRED  
OF POLITICAL GAME AND FINDS HIMSELF IN INCREASING  
CONFRONTATION WITH OTHER MINISTERS ON SUCH THINGS AS

THE GOVERNMENT BAILING OUT OF FIRMS WHICH FUENTES BELIEVES SHOULD BE ALLOWED TO FAIL AND ON THE GOVERNMENT'S STILL UNFINISHED ENERGY PROGRAM. FUENTES' BASIC DISTASTE FOR HIS JOB IS NOT NEW; HE HAS TALKED FOR MONTHS OF LEAVING AND GOING BACK TO RESEARCH, WRITING AND TEACHING , WHICH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MADRID 02027 02 OF 02 242138Z

HE PREFERS. IN ADDITION, ACCORDING TO ALCAIDE, FUENTES QUINTANA DOES NOT ACCEPT THAT POLITICAL CONSIDERATIONS SHOULD REQUIRE MODIFICATION OF HIS ECONOMIC PROGRAM AS SOME ARE SUGGESTING. JOSE RAMON LASUEN FROM WITHIN THE GOVERNMENT, AND BUSINESSMEN'S ORGANIZATIONS FROM WITHOUT, HAVE BECOME PARTICULARLY IRRITATING THORNS. ALCAIDE, AND OTHERS WITHIN THE GOVERNMENT, DO NOT AT THIS POINT SEE THE CABINET CHANGES AS SIGNALING A BASIC CHANGE IN THE THRUST OF ECONOMIC POLICY SINCE FERNANDEZ ORDONEZ WILL REMAIN AND BECAUSE THE MONCLOA PACT REPRESENTS A DELICATE BALANCE TO WHICH ALL POLITICAL PARTIES AGREED. NOR DO THEY EXPECT ANY BASIC SHIFT OF GOS PHILOSOPHY TOWARD THE PRIVATE SECTOR. HOWEVER, THE APPOINTMENT OF RODRIGEZ SAHAGUN IS CLEARLY MEANT, AMONG OTHER THINGS, AS A GESTURE TO THE LOCAL BUSINESS COMMUNITY.

6. WHATEVER CABINET SHIFTS ARE MADE, THE DEPARTURE FROM THE GOVERNMENT OF PERHAPS SPAIN'S FINEST ECONOMIST, FUENTES QUINTANA WILL BE A LOSS. JUST HOW MANY AND WHO AMONG FUENTES' HIGHLY COMPETENT FOLLOWERS WHOM HE BROUGHT INTO GOVERNMENT WILL LEAVE ALONG WITH HIM WILL BE A KEY FACTOR IN ASSESSING THE ULTIMATE EFFECT WHICH THIS CABINET SHAKE-UP WILL HAVE ON THE ECONOMY. STABLER

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CABINET, REORGANIZATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978MADRID02027  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780086-0903  
**Format:** TEL  
**From:** MADRID  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780217/aaaaaocx.tel  
**Line Count:** 205  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 5fcd38d0-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 23 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3489007  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MAJOR CABINET SHUFFLE EXPECTED  
**TAGS:** PINT, ECON, SP  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/5fcd38d0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014